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April 30, 2013

Representative Wayne Schmidt
Chair, House Committee on Transportation
and Infrastructure
Anderson House Office Building
124 North Capitol Avenue
Lansing, MI 48909-7514

Re: H4632 / H4608 - Alternate Fuel Vehicle Registration Fees

Dear Chairman Schmidt,

On behalf of the Alliance of Automobile Manufacturers, a trade association representing twelve of the world's leading car and light truck manufacturers, including BMW Group, Chrysler Group LLC, Ford Motor Company, General Motors Company, Jaguar Land Rover, Mazda, Mercedes-Benz USA, Mitsubishi, Porsche, Toyota, Volkswagen Group of America and Volvo Cars North America, I want to thank you for the opportunity to offer testimony on House Bill 4632 and House Bill 4608, which relate to registration fees paid on alternate fuel vehicles.

Like many states, Michigan must confront the fiscal challenges of adequately funding a transportation system in the face of falling gas tax receipts. We believe that all beneficiaries of the system should pay their fair share of the costs of preserving, operating, and improving statewide transportation systems. With that said, at this time we must oppose these bills as drafted.

Given today's environmental and energy security concerns, federal and state policies have been enacted to encourage energy source diversification and to drive consumers away from petroleum. Less fuel consumption per vehicle results in decreased revenue from the fuel tax. This is a significant fiscal problem that will only grow as the auto industry works to meet the newly adopted CAFE fleet standards of 54.5 m.p.g. by 2025. Given the very small number of alternate fuel vehicles presently on the road, however, their impact on state fuel tax collections is minimal.

Alternate fuel vehicles are promising new and still evolving technologies. Federal, state, and private studies consistently conclude that consumer acceptance of this technology is critically important, cite price as a barrier to adoption of the technology, and note the need for additional incentives. Some of those studies also highlight that market demand can be greatly influenced by the experience and opinions of the early adopters of this technology. Adding additional fees to the ownership of alternate fuel vehicles will undermine existing incentive programs designed to encourage the wide-spread acceptance of alternate fuel vehicles and create a disincentive to the growth of that market in Michigan.

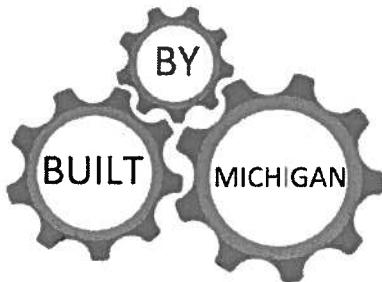
The Ecology Center has recently completed a comprehensive study of the taxes collected by the state for a number of different vehicles over a vehicle's lifetime. The report raises a number of compelling data points to support the argument that alternative fuel vehicles are not really getting a "free ride," as some suggest. I have attached a summary of the report to my testimony. If the question is one of perceived fairness, then broader consideration should be given to the importance of assuring that taxes and fees fairly relate to use of the system and are technologically neutral, not arbitrary favoring certain technologies over others.

While not able to support the proposed bills, we would like to encourage — and be part of — dialogue regarding the merits and structure of a fair system of transportation financing. Thank you for your consideration of this testimony. Please do not hesitate to contact me if I can provide any further information.

Sincerely,

Wayne Weikel
Director of Policy and Government Affairs





Electric Vehicles Are Paying Their Way

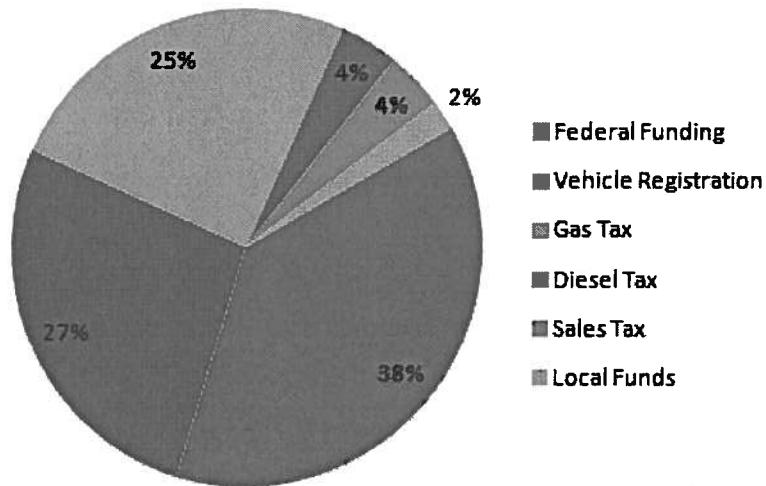
Electric vehicles are a key technological innovation in the 21st Century and the state that pioneered the auto industry now stands at the forefront of its future. The success of this industry, however, depends largely on whether the market for electric vehicles strengthens. This will likely require continued government support while the technology matures and the sales price declines.

Yet, some policymakers are now arguing for additional taxes on electric vehicles because they presumably benefit from "free-use" of the roads, a result of their not contributing to gas taxes. The following analysis explores the facts about road funding in Michigan and presents the case that a tax on electric vehicles would do little more than potentially stifle an emerging market.

A Primer on Roadway Funding in Michigan

Funding for Michigan's transportation system comes from a variety of state, local, and federal sources. Federal funding from the federal fuel tax (18 cents per gallon), is the single largest funding source. However, state-generated revenue supplies the majority of the income and is collected from three different sources: 1) motor-vehicle registration fees, 2) Michigan fuel taxes (19 cents per gallon on gasoline and 15 cents per gallon on diesel fuel), and 3) sales tax collected on vehicles.

Michigan Transportation Revenue



Source: Michigan House Fiscal Agency (05/12)

Then and Now

The idea behind the gas tax is as follows: The more you drive, the more you pay. Likewise, bigger vehicles that do more damage to roads and burn more gas pay a larger amount. Similarly, this "use fee" was easy to collect. By taxing drivers at the pump, the gas tax effectively charged roadway users their fair share. Herein lies the problem: the gas tax only works if we're continuing to burn fuel and driving a lot. As soon as people start driving less or driving more fuel-efficient vehicles, the gas tax revenue vanishes. Trends indicate an overall reduction in the demand for gasoline. First, as the baby boomers age, they are driving less. Similarly, over the past 25 years, there has been a significant decrease in the percentage of young people with a driver's license. According to the Federal Highway Administration, in 2008, 31% of 16-year-olds had a license, compared with 46% in 1983. Lastly, Congress enacted Corporate Average Fuel Economy (CAFE) standards, mandating auto manufacturers to improve the fuel-economy across their vehicle fleet. CAFE standards coupled with improving transit systems and behavioral changes has left a budgetary void for policymakers.

technology to the masses.

Electric vehicles are a promising new and evolving advanced technology already faces barriers to adoption. Conversely, a fee that singles out electric vehicles will be an additional disincentive to the growth of the electric vehicle market. Lastly, as a practical matter, there are currently so few electric vehicles on the nation's roads today that their impact in replacing fuel tax revenues will, for now, be negligible and therefore will not bridge the funding gap. Taxing electric vehicles or otherwise imposing a fee on an emerging market have deleterious effects on the long-term prospects for this technology and Michigan's future opportunities for bringing this technology to the masses.

For Rides Ahead

Rather than adding to their tax burden, Michigan should join other states that incentivize electric vehicles to help support this emerging industry. States such as Illinois, Washington, Pennsylvania and California have introduced additional tax credits, reductions in state sales taxes, and waived initial vehicle registration fees to boost electric vehicle sales. Many states have also introduced non-monetary incentives, such as access to HOV lane access or preferential parking for electric vehicles.

Compared to their non-electric counterparts, electric vehicles, highlighted in green, contribute a higher gross revenue and revenue per mile driven. At this point in time, the argument that electric vehicles receive a "free ride" appears to be misplaced.

Values derived from the MVI-21B Michigan Vehicle Price Booklet

Michigan has a 6% Sales Tax, a portion of which is allocated to transportation funding.
 • Values taken from the Fuel Economy Guide—Model Year 2012 published by the US Environmental Protection Agency
 • Michigan Gas Tax is 19 cents per gallon, with two-thirds allocated to the transportation fund, and the remaining going to the school aid fund.
 • The Chevy Volt combined fuel economy is estimated by USEPA at 60 mpg ("equivalent") in the 2012 Fuel Economy Guide, with 95 mpg in electric-only mode and 37 mpg when running primarily on gasoline. <http://www.fueleconomy.gov/fed/pdfs/Emissions/EG2012.pdf>

Make, Model - Trim	Fuel	Purchase Type	Vehicle	Mileage	Lifetime Revenue	Lifetime State	Federal	Revenue per mile driven
Chevy Cruze - 2LT	Gasoline	\$20,605	\$1,236	\$976	\$1,045	\$3,257	\$1,012	\$0.0196
Chevy Volt - 5dr HB	Gas/Elec	\$39,145	\$1,899	\$1,849	60.	\$523	\$4,270	\$0.0258
Nissan Leaf - SV	Electric	\$35,200	\$1,662	\$1,610	N/A	\$0	\$3,272	\$0.0198
Ford Focus - SEL	Gasoline	\$20,105	\$1,206	\$976	31	\$1,011	\$3,194	\$0.0192
Ford Focus - Electric	Electric	\$39,200	\$1,902	\$1,818	N/A	\$0	\$3,720	\$0.0225

Table 1. Electric Vehicle Revenue Comparison

derived from various vehicle models and fuel types.

While it is true that electric vehicles do not burn gasoline and therefore do not contribute to the gas tax, electric vehicles do "pay their fair share." The Ecology Center has prepared the following table to illustrate the revenue

How Electric Vehicles Pay Their Way

To fill the budgetary void created by failing gas tax revenue, policymakers in several states, including Michigan, have considered taxing electric vehicles as a solution. However, electric vehicles comprise a very small share of the vehicles on the road, and will not likely comprise a significant proportion of the vehicle pool for a decade or more. On the other side, supporters of electric vehicles and associated industries are concerned that an additional tax could harm this emerging market and dissuade potential consumers.

No Free Rides, Argument